

## Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 SP-02 L-01 NSC-05 NSCE-00 EB-03

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P 131746Z JUN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WAHDC PRIORITY 490

LIMITED OFFICIAL USE SAN JOSE 2441

LIMDIS

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK

REF: SAN JOSE 2402

1. CENTRAL BANK PRESIDENT BERNAL JIMENEZ HAS REFUSED TO ACCEPT THE DEADLINE THAT A GROUP OF CREDITOR BANKS OF THE LATIN AMERICAN BANK, LED BY KEVIN SHANLEY OF FIDELITY UNION TRUST COMPANY OF NEWARK, NEW JERSEY, TRIED TO IMPOSE ON HIM. HE TOLD SHANLEY THAT THE CENTRAL BANK WILL NOT MAKE A DECISION ABOUT WHETHER TO PARTICIPATE IN A RESCUE OPERATION FOR THE LAB, UNTIL THE CENTRAL BANK HAS COMPLETED ITS STUDIES OF THE MATTER. IN EFFECT HE CALLED SHANLEY'S BLUFF BY MAKING IT CLEAR THAT THE CENTRAL BANK WOULD BE WILLING TO SEE THE LAB GO INTO BANKRUPTCY RATHER THAN TO MAKE AN OVERLY HASTY AND PERHAPS ILL CONSIDERED DECISION ON A GUARANTEE. AT THE SAME TIME, JIMENEZ PROMISED TO BRING PRESSURE TO BEAR ON LOCAL HOLDERS OF CERTIFICATES OF DEPOSIT IN ORDER TO DISCOURAGE THEM FROM THROWING LAB INTO BANKRUPTCY DURING THE PERIOD WHEN THE CENTRAL BANK IS STILL STUDYING THE MATTER.

2. THE NEXT FEW WEEKS WILL BE A TOUCH AND GO SITUATION.

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A NUMBER OF THE GRUPO PROIN COMPANIES, WHICH RELIED

MAINLY ON THE LAB FOR FINANCING, ARE SAID TO BE SERIOUSLY STRAPPED FOR CASH. ON OR MORE OF THEM COULD BE THROWN INTO BANKRUPTCY BY A NERVOUS CREDITORY, POSSIBLY SETTING OFF A CHAIN REACTION OF FAILURES INVOLVING THE GRUPO PROIN AND THE LAB. TECHNICALLY, MANY OF THE GRUPO PROIN COMPANIES ARE ALREADY IN DEFAULT ON LINES OF CREDIT TO THE LAB. ONE OR MORE CD HOLDERS OF THE LAB COULD ALSO PRECIPITATE A BANKRUPTCY BY LODGING A CIVIL OR CRIMINAL COMPLAINT.

3. A MEETING OF ALL CREDITORS OF LAB MAY BE CALLED WITHIN THE NEXT FEW WEEKS. EQUITY WOULD SEEM TO DEMAND SUCH A STEP AS THE SO-CALLED CREDITORS COMMITTEE LACKS OFFICIAL STANDING AND IS NOT BROADLY REPRESENTATIVE OF THE CREDITORS. THE THREE BANKS THAT WERE VERY CLOSELY LINKED TO LAB PLAY THE PREDOMINANT ROLE IN THE SO-CALLED CREDITORS COMMITTEE AND CD HOLDERS AND DEPOSITORS ARE NOT REPRESENTED AT ALL.

4. JIMENEZ HAS PROMISED TO NOTIFY THE SO-CALLED CREDITORS COMMITTEE WHEN THE BANK HAS COMPLETED ITS STUDIES AND IS READY FOR ANOTHER MEETING. THIS MIGHT BE WITHIN TWO TO THREE WEEKS.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CENTRAL BANK, CREDIT, FINANCIAL CRISIS, INVESTIGATIONS, BUSINESS REPUTATION, BANKERS, NEGOTIATIONS, BUSINESS LOSSES  
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